

REFERENCE TITLE: PSPRS; deferred plans; return

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SB 1344

Introduced by
Senator Huppenthal

AN ACT

AMENDING SECTIONS 38-844.05 AND 38-844.10, ARIZONA REVISED STATUTES; RELATING TO THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-844.05, Arizona Revised Statutes, is amended to
3 read:

4 38-844.05. Deferred retirement option benefits and
5 participation accounts

6 A. A deferred retirement option plan participation account is an
7 account established within the system on behalf of each deferred retirement
8 option plan participant. All benefits accrued pursuant to this article shall
9 be accounted for in the deferred retirement option plan participation
10 account. A deferred retirement option plan participant does not have a claim
11 on the assets of the system with respect to the member's deferred retirement
12 option plan participation account and assets shall not be set aside for any
13 deferred retirement option plan participant that are separate from all other
14 system assets.

15 B. All amounts credited to a member's deferred retirement option plan
16 participation account are fully vested.

17 C. A member's deferred retirement option plan participation account
18 shall be credited with the following:

19 1. An amount, credited monthly, that is computed in the same manner as
20 a normal retirement benefit using the factors of credited service and average
21 monthly benefit compensation in effect on the date of deferred retirement
22 option plan participation.

23 2. An amount, credited monthly, that represents interest at a rate
24 equal to ~~the assumed rate of return determined by the fund manager~~ THE YIELD
25 ON A FIVE YEAR TREASURY NOTE AS OF THE FIRST DAY OF THE MONTH.

26 D. The participant is not entitled to receive any amount prescribed by
27 section 38-856 or 38-857 during the deferred retirement option plan
28 participation period.

29 Sec. 2. Section 38-844.10, Arizona Revised Statutes, is amended to
30 read:

31 38-844.10. Reverse deferred retirement option plan

32 A. A reverse deferred retirement option plan is established. The
33 purpose of the reverse deferred retirement option plan is to add flexibility
34 to the system and to provide members who elect to participate in the reverse
35 deferred retirement option plan access to a lump sum benefit in addition to
36 their normal monthly retirement benefit on actual retirement.

37 B. The fund manager shall offer the reverse deferred retirement option
38 plan to members on a voluntary basis as an alternative method of benefit
39 accrual under the system.

40 C. Any member who is eligible for a normal pension pursuant to section
41 38-844, subsection A, who has not elected to participate in the deferred
42 retirement option plan pursuant to section 38-844.03 and who has at least
43 twenty years of credited service is eligible to participate in the reverse
44 deferred retirement option plan.

1 D. A member who elects to participate in the reverse deferred
2 retirement option plan shall voluntarily and irrevocably:

3 1. Designate a reverse deferred retirement option plan date that is
4 the first day of the calendar month immediately following a member's
5 completion of twenty years of credited service or a date not more than sixty
6 consecutive months before the date the member elects to participate in the
7 reverse deferred retirement option plan, whichever is later.

8 2. Agree to terminate employment on the date the member elects to
9 participate in the reverse deferred retirement option plan.

10 3. Receive benefits from the system on termination of employment at
11 the same time and in the same manner as otherwise prescribed in this article
12 using the factors of credited service and average monthly benefit
13 compensation in effect on the reverse deferred retirement option plan date.

14 E. On election, a reverse deferred retirement option plan
15 participation account is established within the system on behalf of each
16 reverse deferred retirement option plan participant. All benefits accrued
17 pursuant to this article shall be accounted for in the reverse deferred
18 retirement option plan participation account. A reverse deferred retirement
19 option plan participant does not have a claim on the assets of the system
20 with respect to the member's reverse deferred retirement option plan
21 participation account and assets shall not be set aside for any reverse
22 deferred retirement option plan participant that are separate from all other
23 system assets.

24 F. All amounts credited to a member's reverse deferred retirement
25 option plan participation account are fully vested.

26 G. A member's reverse deferred retirement option plan participation
27 account shall be credited with the following:

28 1. An amount that is credited as though accrued monthly from the
29 reverse deferred retirement option plan date to the date the member elected
30 to participate in the reverse deferred retirement option plan and that is
31 computed in the same manner as a normal retirement benefit using the factors
32 of credited service and average monthly benefit compensation in effect on the
33 reverse deferred retirement option plan date.

34 2. An amount that is credited as though accrued monthly and that
35 represents interest at a rate equal to ~~three and one half per cent~~ THE YIELD
36 ON A FIVE YEAR TREASURY NOTE AS OF THE FIRST DAY OF THE MONTH MINUS TWO PER
37 CENT.

38 H. Employee and employer contributions pursuant to section 38-843 that
39 are deposited during the period of the reverse deferred retirement option
40 plan are not eligible to be refunded to the employer or member.

41 I. The participant is not entitled to receive any amount prescribed by
42 section 38-856 or 38-857 during the reverse deferred retirement option plan
43 participation period.

44 J. The form of payment shall be a lump sum distribution. If allowed
45 by the internal revenue service, the participant may elect to transfer the

1 lump sum distribution to an eligible retirement plan or individual retirement
2 account.

3 K. The reverse deferred retirement option plan shall not jeopardize in
4 any way the tax qualified status of the system under the rules of the
5 internal revenue service. The fund manager may adopt additional provisions
6 to the extent necessary or appropriate for the reverse deferred retirement
7 option plan to comply with applicable federal laws or rules.